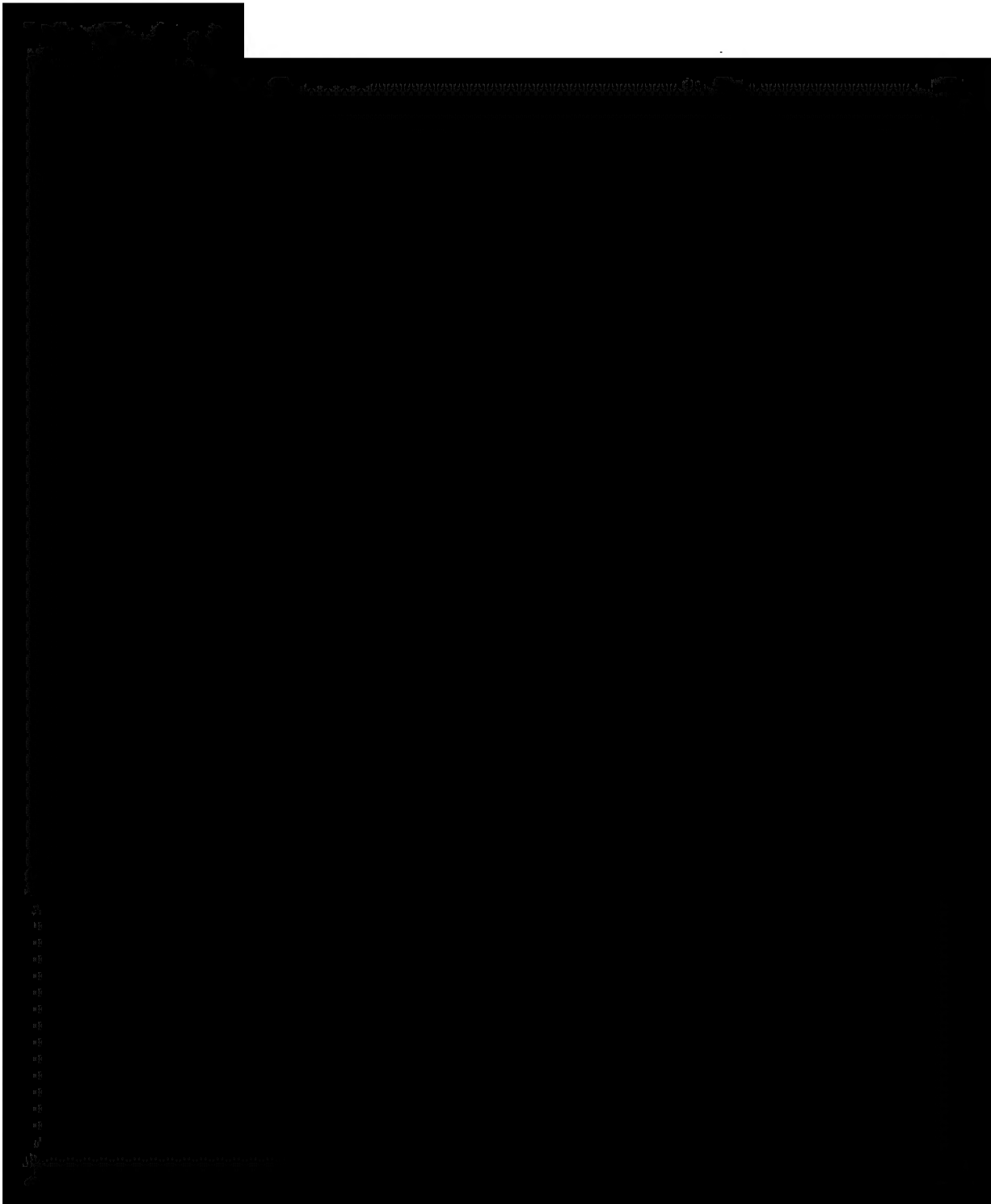


Chief, D/E  
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28 June 1955

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5. Minor suggestions for revision of Staff Study No. 18 include:

(a) Indication to the reader that the statement regarding Soviet trade with Western Europe during the first quarter of 1955 (p. 3) is of concern primarily in appraising the USSR's position with respect to foreign exchange. As the data are now presented the hurried reader with attention concentrated upon the cancellation of contracts is likely to gain the impression that the cancellations did not material affect trade, which of course they could not have during the first quarter of 1955 due to the time lag.

(b) The statement that "The two largest cancellations were for textile machinery and diesel generators" should be placed in its perspective, namely

that although the cancellations covering these items were the largest in terms of volume they were not percentage-wise. Furthermore, all of the original contracts were reinstated but with the Russian option to cancel (approximately 1/7) of the textile machinery contract with six months notice. Data summarized in the following table places the machinery contracts in their perspective.

25X6A